

REFERENCE TITLE: urban revenue sharing; tax credit.

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
Second Regular Session  
2008

# HB 2641

Introduced by  
Representatives Murphy: Crump, Driggs, Nichols, Pearce, Reagan

AN ACT

AMENDING SECTIONS 43-206 AND 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1072.02; RELATING TO INDIVIDUAL INCOME TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-206, Arizona Revised Statutes, is amended to  
3 read:

4 43-206. Urban revenue sharing fund; allocation; distribution

5 A. There is established an urban revenue sharing fund. ~~For fiscal~~  
6 ~~year 2000-2001 and fiscal year 2001-2002, the urban revenue sharing fund~~  
7 ~~shall consist of an amount equal to fifteen per cent of the net proceeds of~~  
8 ~~the state income taxes for fiscal year 1998-1999 and 1999-2000, respectively.~~  
9 ~~For fiscal years 2002-2003 and 2003-2004, the fund shall consist of an amount~~  
10 ~~equal to fifteen per cent of the amount of monies transferred pursuant to law~~  
11 ~~in fiscal year 2000-2001 and 2001-2002, respectively, from the budget~~  
12 ~~stabilization fund to the tax refund account of the state general fund plus~~  
13 ~~fourteen and eight-tenths per cent of the net proceeds of the state income~~  
14 ~~taxes, not including any amounts transferred from the budget stabilization~~  
15 ~~fund to the tax refund account, for fiscal year 2000-2001 and 2001-2002,~~  
16 ~~respectively.~~ EXCEPT AS PROVIDED BY SUBSECTION B OF THIS SECTION, for fiscal  
17 year 2004-2005 and each fiscal year thereafter, the fund shall consist of an  
18 amount equal to fifteen per cent of the net proceeds of the state income  
19 taxes for the fiscal year two years preceding the current fiscal year. The  
20 fund shall be distributed to incorporated cities and towns as provided in  
21 this section. The transfer of net proceeds prescribed by section 49-282,  
22 subsection B does not affect the calculation of net proceeds prescribed by  
23 this subsection.

24 B. BEGINNING IN FISCAL YEAR 2008-2009, THE AMOUNT OF THE FUND IS  
25 REDUCED BY AN ESTIMATED AMOUNT OF INCOME TAX CREDITS TO BE CLAIMED UNDER  
26 SECTION 43-1072.02 FOR THE CURRENT TAXABLE YEAR. AN ADJUSTMENT SHALL BE MADE  
27 TO THE FUND IN LATER FISCAL YEARS IN THE AMOUNT OF THE DIFFERENCE BETWEEN THE  
28 ESTIMATED AMOUNT DETERMINED UNDER THIS SUBSECTION AND THE ACTUAL AMOUNT OF  
29 THE CREDITS CLAIMED UNDER SECTION 43-1072.02 FOR THE APPLICABLE TAXABLE YEAR.

30 ~~B.~~ C. Each city or town shall share in the urban revenue sharing fund  
31 in the proportion that the population of each bears to the population of all.  
32 Except as provided by sections 42-5033 and 42-5033.01, the population of a  
33 city or town as determined by the most recent United States decennial census  
34 plus any revisions to the decennial census certified by the United States  
35 bureau of the census shall be used as the basis for apportioning monies  
36 pursuant to this subsection.

37 ~~C.~~ D. The treasurer, upon instruction from the department, shall  
38 transmit, no later than the tenth day of each month, to each city or town an  
39 amount equal to one-twelfth of that city's or town's total entitlement for  
40 the current fiscal year from the urban revenue sharing fund as determined by  
41 the department.

42 ~~D.~~ E. A newly incorporated city or town shall share in the urban  
43 revenue sharing fund beginning the first month of the first full fiscal year  
44 following incorporation.

1           ~~E.~~ F. On receipt of a certificate of default from the greater Arizona  
2 development authority pursuant to section 41-1554.06 or 41-1554.07, the state  
3 treasurer, to the extent not otherwise expressly prohibited by law, shall  
4 withhold from the next succeeding distribution of monies pursuant to this  
5 section due to the city or town the amount specified in the certificate of  
6 default and immediately deposit the amount withheld in the greater Arizona  
7 development authority revolving fund. The state treasurer shall continue to  
8 withhold and deposit the monies until the authority certifies to the state  
9 treasurer that the default has been cured. In no event shall the state  
10 treasurer withhold any amount that is necessary, as certified by the  
11 defaulting political subdivision to the state treasurer and the authority, to  
12 make any required deposits then due for the payment of principal and interest  
13 on bonds of the political subdivision that were issued prior to the date of  
14 the loan repayment agreement or bonds and that have been secured by a pledge  
15 of distributions made pursuant to this section.

16           Sec. 2. Section 43-222, Arizona Revised Statutes, is amended to read:  
17 43-222. Income tax credit review schedule

18           Each year the joint legislative income tax credit review committee  
19 shall review the following income tax credits:

20           1. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,  
21 43-1166, 43-1167 and 43-1169.

22           2. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and  
23 43-1178.

24           3. In 2009, sections 43-1076, 43-1081.01, 43-1084, 43-1162 and  
25 43-1170.01.

26           4. In 2010, sections 43-1075, 43-1075.01, 43-1079.01, 43-1087,  
27 43-1088, 43-1090.01, 43-1163, 43-1163.01, 43-1167.01, 43-1175 and 43-1182.

28           5. In 2011, sections 43-1074.02, 43-1083, 43-1085, 43-1164 and  
29 43-1183.

30           6. In 2012, sections 43-1073, 43-1086, 43-1089, 43-1089.01,  
31 43-1089.02, 43-1090, 43-1176 and 43-1181.

32           7. IN 2013, SECTION 43-1072.02.

33           Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes, is  
34 amended by adding section 43-1072.02, to read:

35           43-1072.02. Credit for urban revenue sharing

36           A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2007, A  
37 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR THE COSTS OF  
38 URBAN REVENUE SHARING TO RURAL TAXPAYERS. THE AMOUNT OF THE CREDIT IS EQUAL  
39 TO FIFTEEN PER CENT OF THE TAXPAYER'S TAX LIABILITY AFTER APPLYING ALL OTHER  
40 CREDITS FOR WHICH THE TAXPAYER QUALIFIES.

41           B. TO QUALIFY FOR THE CREDIT, THE TAXPAYER MUST RESIDE IN THIS STATE  
42 AND OUTSIDE THE CORPORATE BOUNDARIES OF ANY INCORPORATED CITY OR TOWN IN THIS  
43 STATE FOR THE ENTIRE TAXABLE YEAR. THE DEPARTMENT SHALL ADOPT RULES FOR THE  
44 VERIFICATION OF RESIDENCY AT THE BEGINNING AND END OF THE TAXABLE YEAR. THE  
45 TAXPAYER SHALL CLAIM THE CREDIT ON A FORM PRESCRIBED BY THE DEPARTMENT. BY

1 CLAIMING THE CREDIT, THE TAXPAYER CERTIFIES, UNDER PENALTY OF PERJURY, THAT  
2 THE TAXPAYER DID NOT RESIDE WITHIN THE MUNICIPAL LIMITS OF AN INCORPORATED  
3 CITY OR TOWN AT ANY TIME DURING THE TAXABLE YEAR.

4 Sec. 4. Purpose

5 Pursuant to section 43-223, Arizona Revised Statutes, the purpose of  
6 section 43-1072.02, Arizona Revised Statutes, as added by this act, is to  
7 relieve rural taxpayers from the burden of the urban revenue sharing program.

8 Sec. 5. Exemption from rule making

9 Notwithstanding section 43-1072.02, subsection B, Arizona Revised  
10 Statutes, as added by this act, the department of revenue is exempt from the  
11 rule making requirements of title 41, chapter 6, Arizona Revised Statutes,  
12 for one year after the effective date of this act for the purposes of  
13 adopting a process for the verification of taxpayer residency.

14 Sec. 6. Retroactivity

15 Section 43-1072.02, Arizona Revised Statutes, as added by this act,  
16 applies retroactively to taxable years beginning from and after December 31,  
17 2007.